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# Tax avoidance is the current front line in the struggle for a new politics of redistribution

Experts analyse and debate recent developments across UK government, politics and policy

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*Recent weeks have seen the tax avoidance of large multinationals such as Google and Apple brought into sharp relief, with their executives claiming that these companies pay the amount of tax that they are legally obligated to. In the wake of a European Council summit which focused on tax evasion, **Bart Cammaerts** argues that governments and political elites are largely complicit in enabling tax avoidance through creating loopholes and not enforcing regulations.*

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*This article was originally published on LSE's **EUROPP** blog.*

While those who work for a living – i.e. the majority of us – have no choice but to diligently pay income and local taxes (with pleasure in my case), matters are somewhat different if you are fortunate enough to be a wealthy individual or when it concerns a (multi-national) company. Then all of a sudden all sorts of arguments are used to argue for a low to zero tax rate. This goes along with a wide range of possibilities to reduce the bill for what they owe society as a collective.



Apple is said to have avoided paying a staggering £6 Billion (\$9 Billion) in tax in 2012 across the world. The technology company has a whopping £66 Billion (\$100 Billion) of capital stashed away in offshore accounts and uses entities that create stateless income that is taxed nowhere. From 2006 to 2011 Google generated £1.2 Billion (\$18 Billion) in revenues in the UK alone on which it paid a meager £11 Million (\$16 Million) in tax (less than 1%) over the same period using an Irish subsidiary to avoid taxation in the UK. Starbucks has not paid a single penny of tax in the UK since 2009



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despite amassing revenues of £1.2 Billion (\$1.8 Billion), mainly by channeling money to a Dutch sister company and lending money from other parts of the company at very high interest rates which allows them to report losses in the UK. Amazon reported sales of £3.35 Billion (\$5 Billion) in the UK in 2011, but only paid £1.8 Million (\$2.7 Million) in taxes on it mainly by using a subsidiary in Luxembourg. This unequal state of affairs between 'ordinary' citizens and workers paying full income tax and VAT while rich individuals and companies pay almost nothing in tax is increasingly deemed by the public to be unacceptable, also leading to reputational damage.

Oxfam estimates that countries worldwide are losing at least £100 Billion (\$150 Billion) a year as a result of companies and rich individuals not paying to society what they are due. Oxfam **argues** that if these would be collected appropriately world poverty would be solved relatively quickly. Another interesting statistic here is that 1/3 of the estimated £12.2 Trillion (\$18.5 Trillion) held in accounts in tax havens, is localized in British Overseas Territories and crown dependencies over which the British government has jurisdiction.

What this exposes is that states, governments and political elites are deeply complicit in enabling this to happen, effectively creating the loopholes or at least refusing to close them down. So when Tim Cook **states** that Apple pays every penny of tax it is owed, or when Eric Schmidt **asserts** that avoiding tax is 'just capitalism', they are in a way technically right (though not morally). As the overview above points out, not

only offshore islands, but also many European countries aggressively compete with each other to attract big companies and their capital through specific fiscal regimes and favourable arrangements designed to woo rich people and companies.

In an internal memo, [leaked this week](#), the Dutch employers' organisation boasts that 'the Netherlands – probably more so than any other country – has been highly successful in making its fiscal system very competitive'. They made this statement in the context of a plea to keep it that way; hence there is a fear that a new climate is emerging which makes it less acceptable to keep these exceptions for multi-nationals and large corporations in place.

One clear example of this new climate was the European Council meeting this week which discussed a number of measures to tackle tax evasion and avoidance. At the end of the summit European Council President Herman Van Rompuy [claimed](#) that: "It's high time to step up the fight against tax fraud and tax evasion. [...] At a time of fiscal pressure and social tensions, fighting this is a matter of fairness and credibility". However, despite this strong rhetoric the measures agreed are rather limited and have to go much further than enhancing the international exchange of information.

Instead of political posturing and naming and shaming, which seems to be the prevalent tactic at the moment, political elites and lawmakers must act more determined to effectively close the many loopholes, to harmonize principles of fair taxation across the world and to stop competing with each other by offering rich individuals and companies tax-breaks and exemption clauses. Only then can capital and companies be taxed in the same way as labour and consumption is.

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*Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.*

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## About the Author



### **Bart Cammaerts – LSE Media and Communications**

Bart Cammaerts is Senior Lecturer and director of the PhD programme in the Media and Communications Department at LSE. His most recent books include; [Mediation and Protest Movements](#) (eds with A. Matoni and P. McCurdy, Intellect), [Internet-Mediated Participation beyond the Nation State](#) (Manchester University Press/Transaction books, 2008)


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